

Submission by LMDC to ad-hoc work program on NCQG on work plan for 2023

February 2023

As per the decision adopted by COP21 (1/CP.21, para 53), a New Collective Quantified Goal (NCQG) is to be set, before 2025, from a floor of USD 100 billion per year while taking into account the needs and priorities of developing countries. At COP 26, an ad hoc work programme on the NCQG was established involving four Technical Expert Dialogues (TEDs) to be organised every year from 2022 to 2024.

The LMDC strongly believes that to make progress, certain foundational elements, such as differentiation between developed and developing countries and the obligations of developed countries to provide and mobilise climate finance, must be in place to frame the discussions. All discussions within finance must proceed in line with the provisions and principles that are enshrined in the Convention and its Paris Agreement, and such provisions and principles should not be called into question or opened for discussion, in particular equity and common but differentiated responsibilities. The obligations and responsibilities outlined in Article 9 of the Paris Agreement and Article 2, paragraph 2, of the Paris Agreement shall frame discussions. The LMDC aims to move forward and achieve progress, and to do so we need to build on the common ground that the global community collectively established under the Convention and its Paris Agreement.

In the four TEDs organised before COP 27 in 2022, Parties communicated their views on the new goal. They highlighted not only the quantitative but qualitative aspects of the goal. Key elements highlighted so far are quantum, quality ensuring a predictable flow of funds at a concessional rate, avoiding further fiscal and financial burden in the developing world, achieving a balance between mitigation and adaptation, access issues, transparency, and synergy with other processes (such as Global Stocktake), strengthening financial mechanisms, and the importance of the effective provision of finance, emphasizing public finance by developed countries, in the context of Article 4.7 of the Convention. It was also highlighted that the NCQG will take into account the needs and priorities of developing countries.

The needs of developing countries are in the trillions. The Standing Committee of Finance, in its first report on the determination of the needs of the developing country Parties related to the implementation of the Convention and the Paris Agreement (2021)¹, mentions that requirements are in the range of USD 5.8-USD 11 trillion. The need for climate finance is immense, even when the estimates do not capture all the identified needs. Therefore, it is essential to underline that an ambitious New Collective Quantified Goal is an imperative in supporting the efforts of developing countries in implementing their NDCs. The developed countries, through public financing, must shoulder the responsibility for the shift from the billion to the trillions required by developing countries.

It is important to take into account the establishment of a quantitative target differentiating clearly the financial resources from the public sector for developing countries, for mitigation, adaptation and loss and damage. The establishment of the new goal shall be based on the obligations of developed countries under the Convention and its Paris Agreement related to financing, transfer

¹ <https://unfccc.int/topics/climate-finance/workstreams/needs-report>

of technology, and capacity building, in particular in meeting the costs of mitigation, adaptation and loss and damage in developing countries.

The public sector in developed countries, represented by domestic, bilateral and multilateral channels, is vital in financing climate mitigation and adaptation action in developing countries. It has a role to directly finance climate action. Any mobilization of private finance must not shift the responsibilities of developed countries' public sector and we stress that public sources by developed countries are the priority actor for addressing the climate crisis through direct access modalities. The magnitude of financial resources required to meet global challenges necessitates exploring innovative ways for developed countries to effectively mobilise financial resources for developing countries. It will be helpful to have a full-fledged technical seminar on instruments that can be leveraged by developed countries during the upcoming TEDs. The seminar can enable meaningful and focused discussion in TEDs.

Further, during the upcoming TEDs, it will be crucial to focus on the timeframe as it cannot be separated from the quantum required. These two are not mutually exclusive, and getting a fix on both timeframe and quantum will be crucial. As of now, there are estimates available for climate finance requirements. Estimates on the quantum should be based on NDCs/BURs/NCs, thereby ensuring the quantum responds to the needs and priorities of developing countries. Under Article 4.19 of the Paris Agreement, Parties agreed “to strive to formulate and communicate long-term low greenhouse gas emission development strategies (LT-LEDS), mindful of Article 2 taking into account their common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.” Such long-term strategies of the developing nations should also be considered while deciding the new goal.

Learning from the USD 100 billion goal, differing accounting methodologies and transparency issues have led to decreased trust and led to uncertainty within developing countries on progress on the goal. Until today, there is no common view on the progress on the USD 100 billion goal, with competing estimations issued by different organizations (e.g., OECD vs Oxfam). Given that the Enhanced Transparency Framework will be operationalized with Biennial Transparency Reports due at the end of 2024, ahead of the launch of the new goal, such arrangements should be leveraged to increase transparency.

In light of the above discussions, the following work plan is proposed:

- TED-5: Discussion on the timeframe of the new goal
- TED-6: Discussion on Quantum based on the assessments already available including operationalization of equity and CBDR, and differentiating type of financial resources (e.g. public and private)
- TED-7: Technical seminar involving resource persons followed by TED on access and instruments for mobilising timely and adequate financial resources, with a view to enable scale of predictability, at scale and a reasonable cost
- TED-8: Defining transparency arrangements for the goal (transparency arrangements)

Submission on questions posited by co-chairs:

Which topics should be covered in 2023, and in which order, to arrive at a more substantive outcome this year, particularly on recommendations for the various aspects of the goal;

Proposed work plan:

- TED-5: Discussion on the timeframe for which the mobilisation goal would apply. Timeframe discussions would also need to determine the periodicity at which NCQGs would be established, similar to the cyclical nature of NDCs, BTRs and GSTs, which are established as processes that will repeat with no question as to whether a second, third or fourth will happen. The same needs to be established with NCQGs.
- TED-6: Discussion on Quantum based on the assessments already available
- TED-7: Technical seminar involving resource persons followed by TED on access and instruments for mobilising timely and adequate financial resources at scale and a reasonable cost
- TED-8: Defining transparency arrangements for the goal (transparency arrangements), including access to finance

Recommendations on various aspects of the goal:

- Timeframe and quantum: A time frame is essential to determine the quantum. Estimates of needs are available for the period up to 2030; such assessments can be used to set the goal up to 2030. The Needs Determination Report highlights that the resource requirement is USD 5.8-11 trillion. This provides a floor for the requirements.
- A separate technical seminar on types of instruments that can be used by developed countries to mobilise climate finance can help inform the TED given the massive gap between requirements versus funds provided and mobilised by developed country Parties so far. Such instruments will require public funds to play an active role.
- Strengthening the financial mechanisms of the UNFCCC and improving access and transparency is required for achieving the envisaged NCQG. Ensuring access and transparency arrangements are effective is a pre-condition for enhancing ambition and restoring trust in climate finance.

How the proposed topics could feed into the expected outcome for 2023 to reach an agreement on the new collective quantified goal on climate finance in 2024;

A focused discussion with a quest to achieve the target assigned for each TED will help ensure an early harvest on priority elements by the end of 2023, feeding into the final decision by 2024.

What specific issues should be discussed, taking into consideration synergies between discussions on the new collective quantified goal on climate finance and related processes (e.g. the global stocktake, the global goal on adaptation, work on Article 2, para. 1(c)).

The NCQG discussions should feed into the outcomes of other agenda items and discussions, as stated above, the level of ambition of support should determine the ambition in implementation in developing countries.